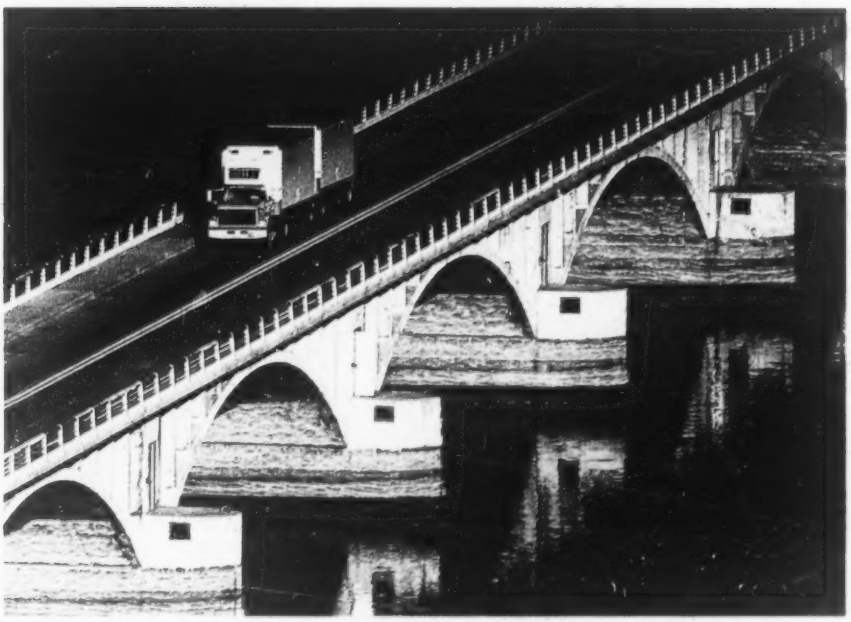
CHILTON'S COMMERCIAL CARRIER JOURNAL



GETTING 'EM
BACK TO WORK

YELLOW'S BRIDGE TO WORKERS COMP CUTS

ALSO:
FUEL ADDITIVES
PRE -TRIP TIPS

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Rockwell Brakes Stop with Rockwell

BRAKE TIP #4

Plan Ahead:

Replace the complete hardware when servicing your cam brakes.

Planning ahead could avoid unnecessary downtime for your rig. When you service your cam brakes, take time to replace all the springs, anchor pins, bushings and rollers, not just the shoe return springs. Spending a little extra money up front can save you valuable time and money later. When it's time for that additional performance during stopping, the extra cost will seem inconsequential.

Rockwell offers a video on the installation and maintenance of cam brakes. For a copy of the video, or information on other videos in the Rockwell training library, call 1-800-535-5560 in the U.S. or 1-800-268-7434 in Canada.

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IN THE NEXT ISSUE

Discover how Overnite Transportation uses customized routing software to cost-effectively operate its new, next day delivery system, which bypasses the less-than-truckload fleet's break-bulk terminals.

And the October issue's Annual Buyers' Guide will include information on thousands of products and services, segmented into more than 500 categories.

Specs, ratios and weights for 1993 light-, medium- and heavy-duty trucks will be offered in the Makes and Models section. To get additional information on each model, there's a special Hotline Card included.

And in the Components section, readers will find data on gasoline and diesel engines, front and rear axles, transmissions and 5th wheels. ❑

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Fruehauf optimistic about sales and profits

Shipments of new trailers by U.S. manufacturers are expected to improve "almost 27% to 160,300 units" in 1992, according to Arthur E. Roe, president and ceo of Fruehauf Trailer Corp.

Vans will make up 76%–121,400–of that total, he said. That's a 35% improvement over the 90,000 van shipments made in 1991.

And in 1993, shipments will increase to 176,700 units, primarily vans, added Roe, at a recent press conference at the International Trucking Show in Anaheim, Calif.

Other segments of the U.S.trailer industry will have "modest growth" next year, noted Roe:

- Platforms and lowbeds (12% of the total market) will increase to 19,100 units.
- Dumps trailers (3% of the total) will be flat at about 4,500 units.
- Liquid and dry bulk trailers (3.5% of the total) will make a slight gain.

Regarding Fruehauf's sales, Roe noted that domestic trailer shipments in the first quarter of this year were up 40%, compared to the same period in 1991. And market share rose 20% in the first quarter of 1992 over last year's first quarter.

Fruehauf has increased production rates at its Fort Madison, Ia. and Waverly, Oh. van plants to meet its share of the industry's growing van market.

Financial improvement

The Southfield, Mich.-based company's financial situation also has improved.

Roe said debt has been reduced by $62 million, primarily via an initial public offering of stock. As a result, more than $100 million of the debt has been repaid since Terex Corp., Green Bay, Wisc., bought Fruehauf. And interest expense has been cut at a 60% annualized rate. Those efforts make Fruehauf "well on our way to being virtually debt-free in the near term," said Roe.

Fundamental strengths

Roe also cited the company's four "fundamental strengths" which make Fruehauf:

1. the world's leading nameplate. Fruehauf trailers are built in 20 countries and are sold on every continent except Antarctica;

2. the "only true trailer manufacturer, actually building trailers from the ground up and producing key components such as aluminum sheet and extrusions, axles and suspensions ourself;"

3. North America's sales leader in new and used trailers;

4. the largest fleet by brand in service in North America, with the industry's largest distribution network and parts locations serving some 400,000 Fruehauf trailers.

To help maintain its position as an industry leader, Fruehauf has formed a partnership with EG&G Structural Kinematics, Troy, Mich., "to enhance the capabilities and reduce the cycle-time of our R&D work," said Roe.

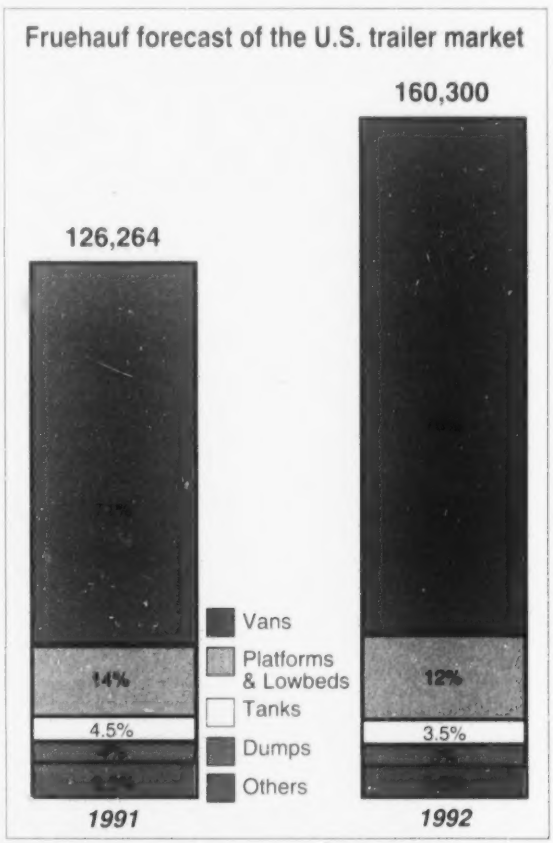
The venture will allow Fruehauf to introduce "at least one new model in each trailer segment every six months."

Chinese to make axles

Fruehauf also announced a joint venture with Shunde Guang Lian Hong Communication Machinery Manufacturing Co. Ltd. to produce Pro-Par trailer axles. The axles are especially designed by Fruehauf for markets in the People's Republic of China, Hong Kong and the Pacific Rim area.

They will be used on the container chassis the Chinese firm produces, as well as marketed in the Pacific Rim countries.

A new 70,000-sq-ft assembly facility in the city of Shunde will begin production in early 1993. In a few years, production is expected to reach 40,000 axles annually. ⌟



Smaller fleets are hurting Big 3

By PARRY DESMOND
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When we talk about the less-than-truckload industry, we often focus on the Big Three: Consolidated Freightways, Roadway and Yellow.

But T. Richard Holt claims, in an extensive research report, that the LTL sector is made up of three distinct groups, based on their average length of haul.

Holt is a financial analyst who follows the trucking market for the Butcher & Singer Div. of Wheat First Securities, Richmond, Va.

Using Holt's mileage criteria, LTL carriers are in one of these groups:

1. Over 1,000 miles: These long haulers are in a "mature, fully consolidated market that increasingly demonstrates commodity-like characteristics."

Holt projects this segment to have "modest" revenue growth and "limited ability to improve operating profitability."

This segment is vulnerable to intermodal competition from railroads, small package carriers and air freight services.

2. Less than 500 miles: As a whole, this highly-fragmented regional market "seems to be outgrowing" the overall economy.

That's because they can capitalize on new trends such as just-in-time inventories and decentralized distribution strategies.

3. Between 500 and 1,000 miles: This inter-regional market "seems to have the most potential."

This group was the hardest hit by deregulation, with the majority of carriers in the market having exited the business, says Holt. But the survivors "seem positioned to capitalize on the growth opportunity inherent in the regional market, as well as exploit the secular pressures facing the long-haul LTL industry," he adds.

That's because, as the length of haul declines, competition from intermodal and air freight services diminishes for high-service, non-union regional and inter-regional carriers.

Holt also points out that a fleet's ability to provide high-quality service at a competitive price no longer is unique. Today, they also must be flexible. That means:

• Even unionized LTL carriers must have flexible work rules so they can meet shippers' special service requirements without driving up the cost.

• Hub-and-spoke systems are efficient in long-haul operations, but "their dependence on density becomes prohibitive from a service standpoint as length of haul declines."

Conversely, direct-load systems successfully operated by regional and inter-regional carriers offer flexibility to "maximize service and minimize cost in most traffic lanes, including selected lanes over 1,000 miles."

Performance comparisons

Holt's 1987-1991 LTL analysis is based on a comparison of operating performances of the regional/inter-regional group vs. long-haul carriers. Holt's primary source of data, which is synopsized in the chart below, was the carrier reports

Continued

Comparison of LTL Operating Performances

	Regional & Inter-Regional Carriers	Long-Haul Carriers
Average Operating Income	-9.9%	-31.1%
Average Total Revenue	+9.5%	+2.1%
Average Operating Ratio	89.7	96.0
Average LTL Tonnage	+9.4%	+0.9%
Average Total Shipments	+6.5%	-0.8%
Average Revenue per CWT	+0.4%	+1.7%
Average Revenue per Shipment	+2.8%	+2.9%
Average Cost per Shipment	+4.7%	+4.6%

Trucking profit margins less than 2%...again

Common carriers' profit margins were less than 2% for the third year in a row.

That figure is based on 1991 summary data on nearly 2,000 for-hire fleets, published in the 1992-93 edition of *TTS Blue Book of Trucking Companies*.

Last year, those fleets managed a 1.86% profit margin, in the aggregate, adds Ronald Roth, executive vice president of Transportation Technical Services, Fredericksburg, Va.

In addition to the current economic recession, Roth attributes the thin margins to the "continuation of severe competition and rate cutting between trucking companies."

Revenue per mile was $1.84 for all carriers in the study. That's 5¢ per mile less than in 1990, noted Roth.

The profit margin for the first quarter of 1992 was 1.7%, "not too bad in this typically weak period," said Roth. But the much anticipated economic rebound appears to have stalled in the Summer months.

"Small general freight carriers (under $5 million in annual revenues) in the less-than-truckload segment showed an operating ratio of 100.9," continued Roth.

"Their general freight counterparts in the truckload segment fared only slightly better with a 98.6 operating ratio."

Roth also noted that there was a record number of bankruptcies filed by motor carriers in 1991, according to Dun & Bradstreet.

The 1992-93 *TTS Blue Book* includes individual data on 1,866 U.S. fleets. In addition to financial data, the publication includes information on the carriers' equipment, mileage and tonnage hauled.

Comparable data also is published in a *TTS Blue Book* for the first quarter of 1992.

Information in both editions is based on carrier reports to the Interstate Commerce Commission and state public utility commissions. ❑

Smaller fleets are hurting Big 3

Continued

filed with the Interstate Commerce Commission.

Instead of using some large regional and inter-regional fleets whose 1991 operating ratios were 98 or above, Holt chose "well-positioned carriers that effectively execute sound operating strategies."

He acknowledged that the choices "should not be taken as being the norm for all carriers in these two industry segments."

Old Dominion and Overnite are the inter-regionals he selected for the group.

Regionals he used in the composite are: AAA Cooper, A-P-A Transport, Arkansas Freightways, Con-Way Transportation, Estes Express, New Penn, Saia, Southeastern, TNT Holland and Viking.

In addition to the Big Three, Holt chose to use ABF Freight and Carolina Freight in the long-haul group.

Unless there is "uncontrollable growth" that would shrink profits, Holt expects the regional carriers to maintain annual growth rates of 10% to 15% over the next five years.

Inter-regionals have an opportunity to grow 15% to 20% over the next five years because:

- They can cherry-pick traffic from long-haul carriers burdened by restrictive work rules.
- A strong regional base of diverse customers allows these carriers to quickly build density when penetrating new inter-regional markets. Ultimately, a snowball effect unfolds. Conversely, when new inter-regional freight goes into a carrier's regional network, it tends the regional operations more cost and service efficient.

Decentralized distribution and competition from other modes should continue to work against long-haul carriers.

After the current recession is over, "long-term earnings growth profits will prove to be no better than 6% to 8% annually." ❑

FHWA releases 1989 truck accident data

Truck accidents involving collisions with one or more other vehicles are responsible for 91% of fatalities, 83% of injuries and 73% of the property damage reported in a new study of 1989 truck accidents.

The statistics were compiled by the Federal Highway Administration. The report on truck accidents also noted:

- 1989's accident total was up 8%, compared to 1988.
- Fewer than 1 in 13 of accidents in 1989 resulted in fatalities. But more than half of those accidents produced injuries.
- 30% of the accidents occurred in California, Illinois, Ohio, Pennsylvania and Texas. And 40% of the fatalities happened in those same five states, plus Florida and North Carolina.
- 20% of those killed and 30% of those injured were drivers or occupants of trucks.
- Truck drivers not wearing seat belts were two times more likely to be killed in accidents than those using seat belts.
- 70% of truck accidents involved tractor-trailers.
- 70% the accidents occurred under favorable weather and road conditions. ❑